The Kraft Heinz Company

Q2 2026 Earnings Call | August 5, 2026

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QUESTION AND ANSWER SESSION

Operator: Greetings and welcome to The Kraft Heinz Company Q2 2026 Earnings Call. At this time, all participants are in a listen-only mode. A question-and-answer session will follow the formal presentation. As a reminder, this conference is being recorded. It is now my pleasure to introduce your host, Anne-Marie Megela. Thank you. You may begin.

Anne-Marie Megela

Vice President, Global Head of Investor Relations, The Kraft Heinz Co.

Thank you and thank you all for joining us today. Welcome to the Q&A session for our second quarter 2026 business update.

During today's call, we may make forward-looking statements regarding our expectations for the future. These statements are based on how we see things today, and actual results may differ materially due to risk and uncertainties. Please see the cautionary statements and risk factors contained in today's earnings release and our most recent SEC filings, for more information regarding these risks and uncertainties.

Additionally, we may refer to non-GAAP financial measures. Please refer to today's earnings release and the non-GAAP information available on our website for a discussion of our non-GAAP financial measures and reconciliations to the comparable GAAP financial measures. Joining me today to answer your questions is our Chief Executive officer, Steve Cahillane and our Chief Financial officer, Andre Maciel.

Operator, please open the call for the first question.

Operator: Thank you. Our first question comes from the line of Andrew Lazar with Barclays. Please proceed with your question.

Andrew Lazar

Analyst, Barclays Capital, Inc.

Great. Thanks so much. It's encouraging to see some of the incremental investments starting to pay off. I know much can still change by the time we get to 2027. In the prepared remarks, you mentioned expected inflation next year in a 4% to 5% range, and that Kraft will try and offset as much as possible through incremental productivity. I know you mentioned previously that 2026 would also be the margin trough year, so I'm trying to get a sense of whether we should read that inflation commentary for next year maybe is implying that perhaps this year won't be the margin trough. And I guess some of the incremental investment now planned for the second half of this year will also have to wrap in the first half of next year, too. So, I'm just trying to get a sense of how we should sort of read the commentary about next year in the prepared remarks. Thanks so much.

Steve A. Cahillane
Chief Executive Officer & Director, The Kraft Heinz Co.

Yeah. Andrew, this is Steve. Thanks for the question. I think what we were trying to get across in those comments was, despite the macroeconomic uncertainty, despite all the challenges that we're facing, that the inflation outlook for next year is not anything that we're fearful of. In fact, we can absolutely manage it.

But, as always, our first line of defense is productivity. If we could cover all of the inflation with productivity, we would do that, and we are looking to maintain and strengthen our margins over time. So that's the way we're looking at it. It's a manageable year next year, despite all of that. We like the way we set ourselves up.

We are more than halfway through the year with this incremental investment coming in. We like the setup. We like the momentum. And we like the way we're setting ourselves up for 2027, including on the COGS line.

Andrew Lazar
Analyst, Barclays Capital, Inc.

Got it. Thanks so much.

Operator: Thank you. Our next question comes from the line of Peter Galbo with Bank of America. Please proceed with your question.

Peter T. Galbo
Analyst, BofA Securities, Inc.

Hey, good morning, Steve, Andre. Thanks for the question. I wanted to ask a little bit about just the consumption rates. I know there's a bit of noise with the inventory pull forward in Q2 that's also kind of disrupting Q3. But I think if I back all that out, your consumption was something like down 2% in the second quarter. I think that the 3Q guidance implies it improves to something like down 1% in 3Q.

So I just want to make sure I understand that cadence correctly. And then, maybe just as a follow-up, like what that says about how you feel about the exit rate on the year from consumption. So are we going from this down 2% to down 1% to something improved in Q4? I know there's comparables to think about. So there's a lot in there. But maybe you can just speak to the consumption more broadly and the cadence over the balance of the year. Thanks very much.

Steve A. Cahillane
Chief Executive Officer & Director, The Kraft Heinz Co.

Yeah, thanks for the question, Pete. I'll start and Andre can certainly fill in, but you're reading it right. We had obviously a first quarter that was flattered by Easter. The second quarter, that reversed. We had snowstorms that we tried to adjust for in the first quarter as well. But by and large, the consumption rate is improving. And the amount of our business that is maintaining or holding share is also improving. And we're seeing real green shoots in part of our Taste Elevation portfolio, certainly in Capri Sun, and even in Mac & Cheese in terms of consumption rates.

We hope to exit the year with the best consumption rates in the fourth quarter and enter 2027 with real momentum. Now it's too early to give guidance, obviously, and talk about 2027, but you're reading the consumption puts and takes exactly right and the momentum is growing. Nobody's doing a victory lap that we're declining less than we anticipated, but it is moving in the right direction. And that's what gives us the confidence to invest even more to double-down on improving consumption and improve on our share performance.

Andre Maciel
Executive Vice President & Global Chief Financial Officer, The Kraft Heinz Co.

And I think just to complement, I think directionally you are right. In Q2, it's about 2.5% decline on the consumption. We started to ramp up investments at the end of Q2, and now we're going to be a lot more intense in the second half. We do expect a gradual step-up. I don't want to set up an expectation about the specific sell-out there is going to be in Q3 and Q4, but we should expect an improvement in Q3 and then another sequential improvement in Q4.

July should give some perspective. We were about minus 1%. So, there is already an improvement observed in July. There was also improvement in the market share, which is even more important. In the first half we lost 30 bps, which is, in a way, good because we got back to the historical levels. Remember that in 2025, at one point, we were losing 90 bps of market share. So, it's a very significant improvement.

Looking at the most recent weeks, we are now at -20 bps, which is even a little bit better. So it's good to see that things are moving in the right direction.

Peter T. Galbo
Analyst, BofA Securities, Inc.

Great. Thanks so much.

Operator: Thank you. Our next question comes from the line of Steve Powers with Deutsche Bank. Please proceed with your question.

Steve Powers

Analyst, Deutsche Bank Securities, Inc.

I want to kind of follow-up on that and just get a better sense of how you're thinking about the market share progression, because, as you say, Andre, down 30 bps in the first half, certainly improved versus where we were in 2025. But if I compare kind of where you were coming out of the first quarter, it looks like there wasn't a whole lot of progress made in the second quarter. And certainly, percentage of WIN BIG gaining or holding share went down, especially versus the March exit rates that you shared coming out of 1Q. So just maybe a little bit more perspective on how you're seeing progression.

And then, as we look to the back half, if there are specific pockets of the business where you expect to see the most traction that we should look for as specific proof points, that'd be helpful to be able to highlight. Thank you.

Andre Maciel

Executive Vice President & Global Chief Financial Officer, The Kraft Heinz Co.

You are correct. The share trend for Q2 and Q1 is similar. And if you remember the last earnings call, we already anticipated that. We said we do not expect sequential improvement. In part, because, as we said, we built into the year 100 bps of headwind from SNAP. And part of that would be share pressure. So, it's good that we were able to offset that share pressure coming out of SNAP because we are seeing the SNAP headwinds. And we're able to protect the share, as we anticipated.

Now, as the investments ramp up and we have all the innovations that we put in market gaining traction, as you saw in prepared remarks, I think there are very encouraging early signs coming out of Capri Sun Hydrate, out of the PowerMac & Cheese, out of the Ore-Ida Shapes, so there's good momentum there.

And I think that's also contributing to the share improvement we are seeing. So you should expect Mac & Cheese to continue to improve. We should expect Taste Elevation in general to continue to improve from where we are right now and should expect momentum on the Desserts business. We should expect cold cuts to start to improve, given now that we're going to lap the decline that started in July last year. So all those things will be signs of progress.

Steve A. Cahillane

Chief Executive Officer & Director, The Kraft Heinz Co.

And Andre mentioned this, if you look at the last four weeks, we are seeing proof of that. So we're seeing that. And only a third of our incremental first $600 million has been spent. So, we still have a lot in market to go, including the additional $100 million that we announced this morning.

Steve Powers
Analyst, Deutsche Bank Securities, Inc.

Yeah, okay. Very good. Thanks for that context. Appreciate it.

Operator: Thank you. Our next question comes from the line of Scott Marks with Jefferies. Please proceed with your question.

Scott Marks
Analyst, Jefferies LLC

Hey, good morning, all. Thanks very much for taking our questions. Wanted to just dive in a little bit on the Meats and Meals side of the business. That's one area where you specifically called out plenty of work to do, talked about the targeted actions. Just wondering if you can kind of help us understand how you're approaching those actions, and what we can expect in terms of timing for the improvements, beyond just the lapping dynamic that you mentioned. Thanks very much.

Steve A. Cahillane
Chief Executive Officer & Director, The Kraft Heinz Co.

Yeah. I'll start and again Andre can build on it. One of the biggest issues that we've had are with our Oscar Mayer brand and specifically Deli Fresh. We have new packaging, which is almost now completely in the market. And we're seeing better performance based on that. And some of that has to do with now lapping the big declines that we saw.

So we know we have work to do clearly on the Oscar Mayer front. But the new packaging is in place and early signs are encouraging, we want to plug that leaky bucket for sure. On bacon and hot dogs, they have been better performances, much better than Deli Fresh. So it's really isolated around Deli Fresh. In Lunchables, we've also had some innovations coming in the market, such as Lunchables Snackables. We made some product improvements in Lunchables as well, which is showing early encouraging signs.

And you mentioned Meals. Mac & Cheese, obviously, we already mentioned is showing improved consumption, significantly improved consumption. And PowerMac continues to be off to a good start. I think we mentioned on the last call, it has terrific distribution, 35,000 stores out there with PowerMac. And its consumption is in the first quartile of innovation, so we are feeling very good about that. And the early read is it is very, very incremental to us and to the category. So retailers have been quite pleased with that. So all-in, work to do but progress is being made.

Scott Marks
Analyst, Jefferies LLC

Appreciate it.

Operator: Thank you. Our next question comes from the line of Michael Lavery with Piper Sandler. Please proceed with your question.

Michael S. Lavery
Analyst, Piper Sandler & Co.

Thank you. Good morning. Just was wondering if you could help us understand a little bit of what's working. And between some of the product investments, the price investments, the marketing, what are you seeing be most effective that's running ahead of your expectations? How much can you transfer it across WIN categories? And how does it inform how you deploy the incremental $100 million?

Steve A. Cahillane
Chief Executive Officer & Director, The Kraft Heinz Co.

Yeah, it's working virtually everywhere we're putting investment. So, condiments is probably the first area where we've really seen market improvement. Heinz is back to growth, as it should be; strong growth, strong consumption growth, which is terrific.

So across the board in the US, we're seeing better performance. We haven't even mentioned emerging markets and what's happening there. Emerging markets had a terrific quarter. Heinz is up 12% in the quarter in emerging markets, driven by distribution and consumption. And so, you look at the totality of our portfolio. We've said the investment is largely in the US, to turn around the US business. We're seeing early green shoots on that.

But the rest of the portfolio is performing well in emerging markets, as I already mentioned. And Global Away From Home is back to growth as well. That's a very strategic channel for us, one that we were not performing well in last year. And we're performing well now. And so, we're investing there in product, in customer and in distribution. And it's paying off.

Andre Maciel
Executive Vice President & Global Chief Financial Officer, The Kraft Heinz Co.

Just a couple of quick additions. Heinz is really having a very strong year. Worldwide, we grew 3% year-to-date and with an expectation to accelerate from where we are right now. Condiments in the US, which last year was flat, was one of the places where we started to step-up investments in the second half of last year. Condiments in total in the US is growing 3% year-to-date, which is very good and again with prospects to continue to improve.

Michael S. Lavery
Analyst, Piper Sandler & Co.

Okay, great. Thanks so much.

Operator: Thank you. Our next question comes from the line of Tom Palmer with JPMorgan. Please proceed with your question.

Thomas Palmer
Analyst, JPMorgan Securities LLC

Good morning, and thanks for the question. I wanted to follow-up a little bit on Andrew's question on 2027 and maybe focus it a bit more on the investment side. You noted earlier in the call that only around a third of the spend had kind of stepped up in the first half of the year. So I think that would imply like a $200 million step-up, $500 million then comes in the back half of the year. One, any help on kind of how much of that step-up comes in 3Q versus 4Q? And then, when we start thinking about next year, is a reasonable starting point looking at kind of the 4Q run rate and then extrapolating what that would imply for kind of the step-up next year or are there more meaningful considerations on top of that? Thanks.

Steve A. Cahillane
Chief Executive Officer & Director, The Kraft Heinz Co.

Yeah. Again, I'll start. I think you should think about the third quarter and the fourth quarter being broadly even in terms of how we spend that money. And then as you think about 2027, again, too early to give guidance, but you should think about not necessarily a fourth quarter run rate, but think about 2026 being the base year in terms of getting the investment level right.

And we mentioned this in the prepared remarks, but I would like to underscore that we're spending the additional $100 million because we can, from a position of strength. And if you're a shareowner, would you rather we spend too much or too little? And it's not an exactly precise science, but we felt $600 million was the right number, a very good number and a strong number.

The fact that we can add $100 million to it really helps us think about 2027 being the year that we've got it really right with a very strong marketing spend in order to drive our volume-led, sustainable share type growth. And so we like the way we're setting ourselves up for 2027. When we get to the fourth quarter results, we'll obviously give guidance against that.

But I like where we are. And I think we're in a differentiated position versus some of our peers in terms of the investments that we're making and the momentum that we're starting to build.

Andre Maciel
Executive Vice President & Global Chief Financial Officer, The Kraft Heinz Co.

And just to be clear, we do not expect any wrap-around of investments into next year. So 2026 is the base.

Thomas Palmer
Analyst, JPMorgan Securities LLC

Right. Thank you.

Operator: Thank you. Our next question comes from the line of David Palmer with Evercore ISI. Please proceed with your question.

David Palmer
Analyst, Evercore ISI

Great. Thanks. Good morning. From a category and brand perspective, I wonder is the best ROI from spending on the brands you highlighted in the slides: Capri Sun, Heinz, Ore-Ida, Mac & Cheese and Philly? Those are getting the majority of incremental gross spending. If those are the highest ROI, why do you think that is? I can imagine some of it is the category responsiveness from a top line perspective and some of it's incremental margins of the category, but also I would imagine a lot of this comes down to your own readiness with ideas in innovation and the marketing messages. So, any color on why those guys, those particular brands are getting the incremental spend would be interesting to hear.

Andre Maciel
Executive Vice President & Global Chief Financial Officer, The Kraft Heinz Co.

Thanks for the question and I think you have already answered it. It is a combination of all of that. Those categories that were highlighted, they do have all very strong brand equity. They do typically have very high gross margins, pretty much all of them. If you remember, the first place that we started to step up investments in head count, innovation, marketing was Taste Elevation. That's why you see those plans already coming to fruition in a stronger way.

And we said in the earnings call, I believe, in February, that some of these other categories, we were catching up. And that's part of where the incremental head count investments in marketing and R&D were for us to be able to build bolder plans. And that's why we're starting to see some of those starting right now, but even more strongly towards the end of the year and into next year. So, you're right.

David Palmer

Analyst, Evercore ISI

Yeah. And I guess if I had to have a follow-up, it's really a follow-up, not just on that one, but some of the other questions as well, because I think your incremental spend is $500 million or so versus $200 million so far, or a third of the $600 million. So if you're going to be doing that sort of spending, and that $0.5 billion works, I wonder how much you would try to keep the flywheel going into next year and make that a $1 billion or more? If you just keep that run rate, how should we think about how you're thinking about that and those decisions on incremental spend in 2027? Thank you.

Steve A. Cahillane
Chief Executive Officer & Director, The Kraft Heinz Co.

Yeah. You should think about 2026 being the year where we got our base right. And the incremental $100 million just gives us that much more confidence that we've got the right amount of investment behind our brands. And we'll continue to turn our attention to getting the maximum ROI from those investments. And we'll always be dynamic in the way we think about allocating that investment as we go forward. But we feel like this has given us a great opportunity, being ahead of plan to put the incremental $100 million in to just bolster our confidence that we've got the right amount of investment behind our brands to win in 2027.

Andre Maciel
Executive Vice President & Global Chief Financial Officer, The Kraft Heinz Co.

And I think having all these investments in the base now in 2026 gives optionality next year. If you need to dial up marketing and do a little less in price, or if you need to do more product and less marketing, I think we have the flexibility. But I think you're going to have a very solid base to invest, and I don't want it to go unnoticed. We showed in the prepared remarks that, at the same time, we are continuing to work on ROIs. We saw progress in both marketing and promotion ROIs year-to-date, which is also good.

David Palmer
Analyst, Evercore ISI

Thank you.

Operator: Thank you. Our next question comes from the line of Chris Carey with Wells Fargo. Please proceed with your question.

Chris Carey
Analyst, Wells Fargo Securities LLC

Hi, everyone. I certainly don't want to belabor the investment point, but maybe just one final follow-up here. It's there's like this dynamic where you've made the decision to increase investment because you're running ahead of plan, which is certainly a great thing. As we mature in this strategy, ultimately you're going to want to get back to organic sales growth, I would imagine. And so, what if organic sales trails for longer than expected? Would you lean in more or is this more about making sure that your market shares are back to healthy levels and then, of course, the categories will always do what they do? So just that context between top line evolution versus getting your market shares back to a good place, which I think was a core premise of the initial investment.

And then, just as a kind of second question that'd be more of a follow-up. You've got better momentum in the business, Steve. You've been there for a bit now, getting your arms wrapped around the business. Does a bit better underlying momentum give you more ability to consider portfolio reshaping? Clearly, there's been headlines in recent quarters and years about potential avenues for portfolio reshaping. Does this better trend line give you a line of sight into maybe being a bit more proactive about making those decisions that are going to put you in a good place for the longer term? Thanks.

Steve A. Cahillane
Chief Executive Officer & Director, The Kraft Heinz Co.

Yeah. On the first one, I'd just reiterate that we have increasing confidence that we're doing the right thing to drive better share performance and better organic sales growth. Feel very confident about that, that we're doing the right things. And with the investment announced today, again, just bolsters our confidence.

In terms of the second question. I think you're always wanting to operate from a position of momentum and strength, and we'll always continue to look at what's right for our shareowners as we think about our portfolio. We're very comfortable looking at the portfolio. And if the right opportunities come to make moves that add shareowner value, we'll absolutely be in a place to do that.

Andre Maciel
Executive Vice President & Global Chief Financial Officer, The Kraft Heinz Co.

And I just want to add a comment that's not directly linked to your question, but I think is worth mentioning as well. You might have noticed that while we are stepping up investments, we also protected the cash flow. We increased cash conversion expectations for the year. Free cash flow is the same dollar amount essentially that I committed to at the beginning of the year. We keep a close eye on the free cash flow. Our balance sheet remains very strong. You have seen that we have paid down $1.9 billion of debt in the quarter.

After the quarter close, we also paid down another $1 billion for 2027. We did a very successful refinancing of an expensive debt maturity that we have. That was also very successful. It is great for us to be in a position to step up the investments, get those returns, position the company for growth while, at the same time, preserving a very strong balance sheet and cash flow.

Chris Carey
Analyst, Wells Fargo Securities LLC

Okay. Thank you.

Operator: Thank you. Our next question comes from the line of Robert Moskow with TD Cowen. Please proceed with your question.

Robert Moskow
Analyst, TD Cowen

Hi. Thanks for the question. Andre, I just want to make sure I understand the guidance range, like what's in the low end and what's in the high end. Because it sounds from the tone here that you're pretty confident that things will keep accelerating from a sales perspective in third and fourth quarter. But if I just go to the midpoint of the guidance, the total organization would have weaker sales growth in the second half than the first half, just at the midpoint. So, just to be consistent with the tone, it sounds like you have more confidence in the high end than the low end. So just, do I interpret that correctly?

Andre Maciel
Executive Vice President & Global Chief Financial Officer, The Kraft Heinz Co.

Yeah. First, on the tone, yes, I think you are hearing confidence. And I think we are stepping up investments because we are seeing early signs of traction. We do feel good about emerging markets, and we believe in our ability to continue to accelerate the growth from where we are. Away From Home is back to growth, and we believe this might be sustainable. And on the rest of retail, we already talked about the places that we still have work to do and the places of strength.

The industry is still a bit volatile, right. If you normalize for cost inflation and tariff related inflation, the industry is still soft. So that's always a point of pause for us. So that's why what we've been focusing on a lot in the US, in particular now, is the share improvement. And the industry, we believe over time, will go back to where it was.

Now in terms of the guidance, you are totally correct. At the midpoint, the second half implies worse performance than the first half. However, remember that in Q1 we did have a relevant benefit related to snowstorms that in the first half represents about 0.7 percentage points. And we did have a 0.8pt impact in the second quarter that is from shipment phasing into Q3. So if you normalize those two effects, we're actually improving on the underlying performance, in the second half compared to the first half, approximately 70, 80 bps, okay. But you are right.

Robert Moskow

Analyst, TD Cowen

Okay. Thanks for the math. Appreciate it.

Operator: Thank you. Our next question comes from the line of Leah Jordan with Goldman Sachs. Please proceed with your question.

Leah Jordan
Analyst, Goldman Sachs & Co. LLC

Hi. Good morning. Thank you for taking our question. So, I understand that more of your investments are still expected to ramp from here. But curious where you've already made investments on the pricing side so far, how do you view your price gaps? What are you seeing in terms of any competitive response? And then, ultimately, how are you thinking about maintaining the right gaps in the back half, as we're also hearing retailers have recently stepped up price investments in their own private label and have plans to do even more in the back half, so risk that those gaps could widen? And that's really incremental versus what you initially – versus when you initially laid out your plan. So how are you thinking about maintaining that with that change in the marketplace. Thank you.

Steve A. Cahillane
Chief Executive Officer & Director, The Kraft Heinz Co.

Leah, I'll start and Andre can certainly fill in. We feel very good about the investments in price that we've made, and we've been very surgical. It hasn't been just base price adjustments. It's been maintaining distribution. It's been opening price points. It's been price package architecture. It's been making sure that our gaps to private label and competitors are appropriate. And so we've done all that. And I think we've done it effectively.

The incremental $100 million that we announced this morning is going to be almost entirely in marketing, because we feel like we've done the right thing on price, even given some of the commentary that you just made about what the future may hold. We feel like we've made the right investments in terms of that surgical pricing that we've done. And it gives us the confidence to spend the $100 million in incremental marketing against our brands in the back half of the year.

Leah Jordan
Analyst, Goldman Sachs & Co. LLC

That's very helpful. Thank you.

Anne-Marie Megela

Vice President, Global Head of Investor Relations, The Kraft Heinz Co.

Operator, we have time for one more question.

Operator: All right. Thank you. Our last question comes from the line of Rob Dickerson with U.S. Bancorp, BTIG. Please proceed with your question.

Robert Dickerson
Analyst, BTIG LLC

Great. Thanks a lot. I think all my questions have been answered. So I'll ask maybe a fun one. Could you just talk a little bit about the Disney partnership, just kind of the magnitude of that? Is that partnership such that maybe even as soon as Q4, I would assume in 2027, that we should be seeing some co-branding? And if so, where would we expect to see that? Thanks.

Steve A. Cahillane
Chief Executive Officer & Director, The Kraft Heinz Co.

Yeah. We're very excited about the Disney partnership. And you think about all the things that we can do with The Walt Disney Company, the iconic characters that they have and the things that we can do in co-branding, in merchandising and licensing, things that we can do to activate in their parks and their cruise lines, in their hotels. And so there is a multitude of really exciting things that we can do with Disney. They're great partners. They're brilliant marketers. And they mean so much to consumers in such meaningful, emotional ways. So making that emotional connection with Disney in partnership is something we're really excited about.

We're also really excited about the NFL partnership. I think we're showing up in a very different way with consumers and with our retailers. And we're going to use both of those properties to really drive consumer emotional connections, and it is something we're very excited about. Thanks for the question.

Robert Dickerson
Analyst, BTIG LLC

Thank you.

Operator: Thank you. And we have reached the end of the question-and-answer session. Therefore, I'll turn it back over to management for closing remarks.

Anne-Marie Megela

Vice President, Global Head of Investor Relations, The Kraft Heinz Co.

Thank you. And thank you, everyone, for joining us.

Operator: Thank you. And this concludes today's conference and you may disconnect your lines at this time. We thank you for your participation. Have a great day.